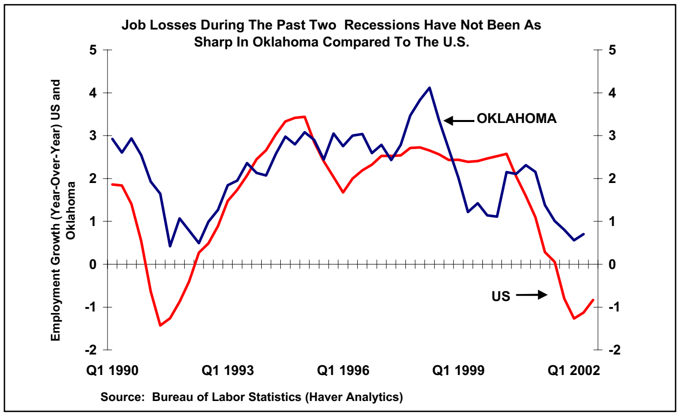
State Profile

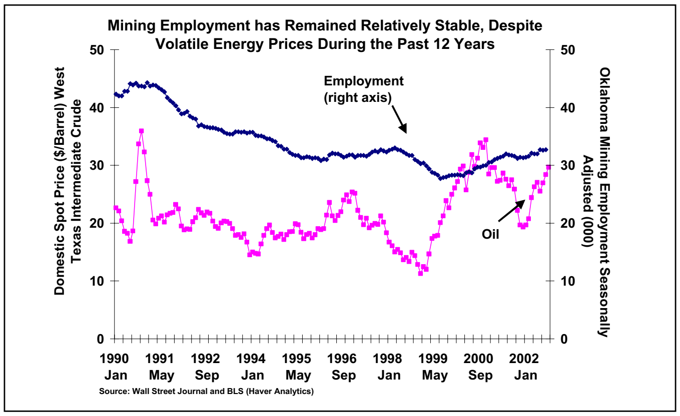
WINTER 2002

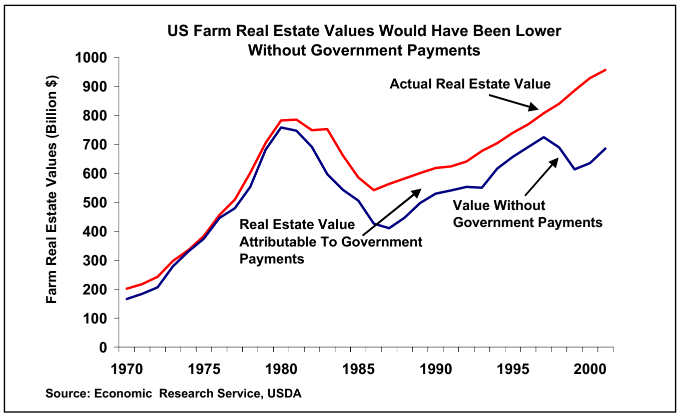
Oklahoma

Employment growth in Oklahoma has decelerated more slowly than the U.S.; however, significant exposure to the volatile oil and agricultural sectors remains.

- *Oklahoma* has fared better than the U.S. during the recent recession. Job growth in the state has benefited from a strong government sector and the fact that the manufacturing sector represents a smaller share of employment in this state than elsewhere in the nation. A slump in Oklahoma's *communications equipment* sector reflects the problems in the U.S. telecom industry. The difficulties of *Worldcom* and *Williams Communications* have adversely affected the *Oklahoma City* and *Tulsa MSAs* because these two companies employ a large number of workers in these metro areas.
- Local *military installations* represent a source of employment strength and stability in the state. *Fort Sill* and *Tinker Air Force Base*, two of Oklahoma's top five employers, have benefited from post-September 11 defense spending.
- Despite more than a 50 percent increase in oil prices since January, activity in *Oklahoma's energy sector* remains relatively modest. Volatile swings in oil prices during the past four years have not affected employment in this sector (See middle chart). Also, the uncertainty surrounding a possible attack on Iraq is chilling expansion plans and keeping oil prices above what the market would suggest.
- *Agricultural land values* have remained relatively strong in Oklahoma during a period of depressed commodity prices. USDA research indicates that 20 percent of land values can be attributed to government payments since enactment of the 1996 farm bill. Although weakness in the agricultural industry is pronounced, agricultural banks continue to report strong conditions, largely due to government payments. However, increased dependence on subsidies could pose problems for agricultural lenders if payment levels decline in the future at the same time commodity prices are low.

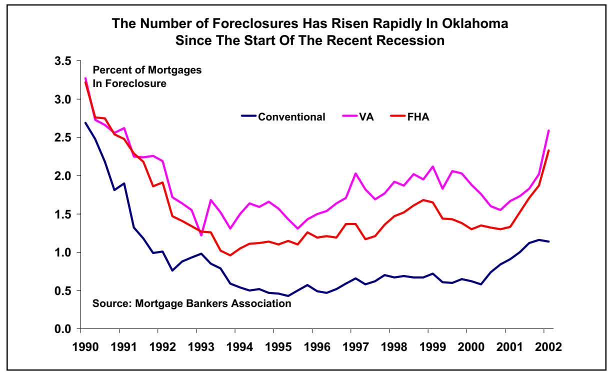


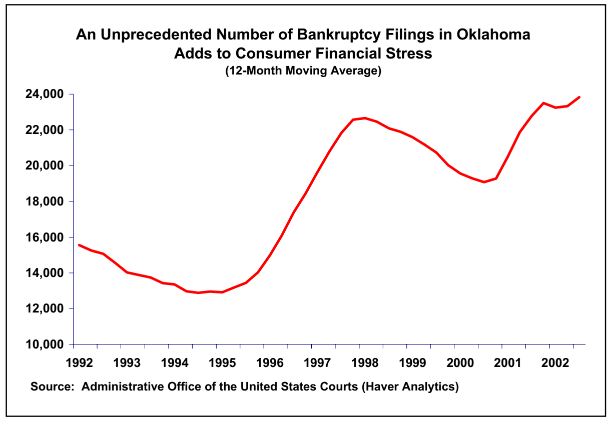


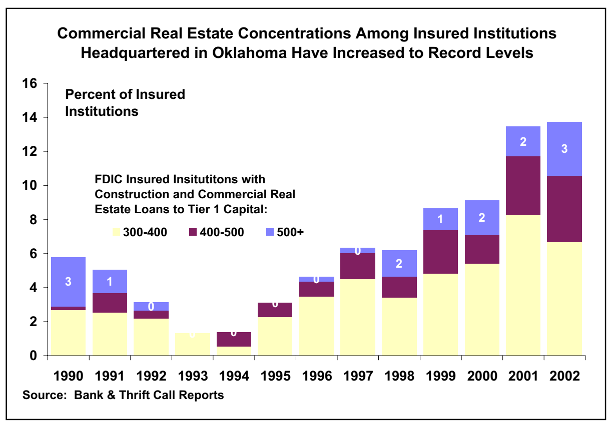


Despite weakness in the residential and commercial real estate sectors, insured institutions headquartered in Oklahoma continue to report favorable conditions.

- *Residential real estate* is showing signs of stress as evidenced by an increase in the number of home foreclosures in Oklahoma (see top chart). The greatest deterioration has occurred in FHA and VA mortgages; noncurrent and past-due loans have risen to levels reported during the early 1990s.
- Despite stress in the real estate sector, insured institutions headquartered in Oklahoma have reported relatively low residential loan past-due and charge-off rates. However, institutions engaged in sub-prime residential lending could experience deteriorating credit quality should the housing market continue to experience weak conditions.
- *Bankruptcy filings* in Oklahoma continue to rise with the growing consumer debt burden (see middle chart). While consumer past- due and charge-off rates among Oklahoma bank and thrifts remain at levels reported during the past several years, the upward trend in consumer debt and bankruptcy filings suggests that credit quality could weaken going forward.
- The *Oklahoma City* MSA reported the fourth highest office vacancy rate in the country (21.7 percent) as of third quarter 2002. The rate had been as low as 15 percent in 1997 but has increased during the past five years. While new office projects have been nominal during the past decade, absorption has been negative, reflecting corporate relocations out of the state. Industrial vacancy rates in the Oklahoma City MSA more than doubled during the past three years to 10.4 percent at September 30, 2002. However, despite weakness in the commercial real estate sector, insured institutions headquartered in Oklahoma have increased CRE exposure to the highest level on record (see bottom chart).







Oklahoma at a Glance

General Information	Sep-02	Sep-01	Sep-00	Sep-99	Sep-98	Sep-97
Institutions (#)	274	282	292	303	315	323
Total Assets (in thousands)	46,194,418	45,291,493	41,605,143	38,590,804	35,027,331	33,487,187
New Institutions (# < 3 years)	3	3	5	5	7	5
New Institutions (# < 9 years)	12	10	10	9	8	10
Capital						
Tier 1 Leverage (median)	9.43	9.21	9.40	9.21	9.36	9.35
Asset Quality						
Past-Due and Nonaccrual (median %)	2.85%	2.58%	2.48%	2.63%	2.48%	2.50%
Past-Due and Nonaccrual ≥ 5%	53	54	51	68	73	56
ALLL/Total Loans (median %)	1.27%	1.29%	1.29%	1.35%	1.27%	1.28%
ALLL/Noncurrent Loans (median multiple)	1.38	1.39	1.33	1.36	1.28	1.54
Net Loan Losses/Loans (aggregate)	0.41%	0.39%	0.27%	0.29%	0.47%	0.38%
Earnings						
Unprofitable Institutions (#)	14	14	16	17	12	7
Percent Unprofitable	5.11%	4.96%	5.48%	5.61%	3.81%	2.17%
Return on Assets (median %)	1.33	1.24	1.26	1.18	1.29	1.27
25th Percentile	0.90	0.83	0.85	0.83	0.93	0.96
Net Interest Margin (median %)	4.67%	4.49%	4.72%	4.58%	4.73%	4.72%
Yield on Earning Assets (median)	6.82%	8.16%	8.43%	7.93%	8.34%	8.40%
Cost of Funding Earning Assets (median)	2.23%	3.63%	3.71%	3.37%	3.64%	3.66%
Provisions to Avg. Assets (median)	0.19%	0.15%	0.16%	0.16%	0.16%	0.14%
Noninterest Income to Avg. Assets (median)	0.91%	0.92%	0.85%	0.83%	0.81%	0.81%
Overhead to Avg. Assets (median)	3.36%	3.30%	3.26%	3.22%	3.19%	3.19%
Liquidity/Sensitivity						
Loans to Deposits (median %)	68.76%	67.40%	67.99%	65.55%	63.40%	62.62%
Loans to Assets (median %)	59.27%	57.51%	58.58%	55.88%	55.65%	54.80%
Brokered Deposits (# of Institutions)	25	23	17	17	16	14
Bro. Deps./Assets (median for above inst.)	3.57%	3.10%	2.97%	2.89%	2.11%	3.46%
Noncore Funding to Assets (median)	16.88%	16.33%	16.21%	14.62%	13.54%	12.93%
Core Funding to Assets (median)	71.01%	71.81%	72.64%	73.97%	74.41%	75.36%
Bank Class						
State Nonmember	123	123	126	138	159	177
National	93	97	103	115	120	117
State Member	58	62	63	50	36	29
S&L	0	0	0	0	0	0
Savings Bank	0	0	0	0	0	0
Mutually Insured	0	0	0	0	0	0
Asset Distribution						
$0 to $100 million	189	199	214	229	244	262
$100 to $250 million	59	56	54	53	53	44
$250 to $500 million	14	15	13	13	11	10
$500 million to $1 billion	7	7	6	3	4	3
$1 to $3 billion	4	3	3	3	1	3
$3 to $10 billion	1	2	2	2	2	1
Over $10 billion	0	0	0	0	0	0

MSA Distribution	# of Inst.	Assets	% Inst.	% Assets
No MSA	182	16,217,759	66.42%	35.11%
Oklahoma City OK	44	13,294,031	16.06%	28.78%
Tulsa OK	38	15,353,225	13.87%	33.24%
Lawton OK	4	456,505	1.46%	0.99%
Enid OK	4	639,679	1.46%	1.38%
Ft Smith AR-OK	2	233,219	0.73%	0.50%